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Department of Transportation
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RE: Docket No. OST-97-2881 - 151
Docket No. OST-97-3014 - 20
Docket No. OST-98-4775 - 66
Computer Reservation System (CRS) Regulations
Part 255

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FROM: American Automobile Association

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AAA appreciates the opportunity to submit supplemental comments regarding the existing rules governing Computer Reservation Systems (CRSs) and the travel service industry. As an organization with more than 1,000 fully accredited travel agency locations in the US, all of which have contracts with CRSs, these issues are extremely important to AAA. AAA is a federation of 84 individually operated clubs in the US which have travel operations ranging from annual sales of \$700,000 to more than \$180 million.

AAA strongly believes that CRS rules must allow consumers to have access to complete and unbiased travel information, and that all airlines are permitted to participate in CRS operations on terms that are not discriminatory. In comments previously submitted for the record in December 1997, AAA supported the existing CRS regulations against display bias, the recognition that booking fees and other terms for airline participation may be discriminatory, and the requirements that other carriers have access to the marketing data generated by CRS bookings.

Since the department first issued the advanced notice of proposed rulemaking, a number of industry changes have emerged that require attention. AAA is concerned with the potential for consolidation among major air carriers, and the barriers that may hinder the progress of new entries into the air transportation market. In May 2000, AAA urged federal regulators to carefully review the proposed buyout of US Airways by United Airlines to make sure the best interests of the traveling public would be served. Currently, the six largest air carriers account for nearly 80 percent of the revenue passenger miles flown by domestic airlines.

In addition to the broad issues associated with overall industry competition, a more condensed industry will affect ticket sales and purchasing as well. As noted by the Department in the supplemental rulemaking, airlines are divesting themselves of many of their CRS holdings. Further, airlines have cut travel agent commissions and proposed that fees be added to the cost of tickets booked through travel agents. Airlines now offer ticket sales through their own Internet sites, which poses significant ramifications for the CRS industry and the rules that govern their operation.

The current CRS rules "require each system to allow all airlines to participate on non-discriminatory terms." The intent of this requirement was to prevent the airlines from tying CRS agreements to "airline deals" and, ultimately, to ensure that consumers get complete and unbiased travel information. With the great migration of travel suppliers to the Internet, AAA believes that the department needs to reexamine the CRS rules with specific focus on the Internet.

In today's marketplace, the major CRSs, including SABRE, Galileo, Amadeus, and Worldspan, comply with the CRS rules instituted in 1992. However, several Internet sites that are owned by the suppliers of airline transportation, rental cars and hotel rooms are not. Most notably, the Orbitz business model, which permits only a few airlines to participate, discriminates against those that are not involved through investment in this venture.

One of the main reasons for the development of the existing CRS rules was the practice of airlines “tying” airline agreements to CRS agreements, resulting in unfair trade practices. In our 1997 comments to the Department, AAA pointed out that one of our clubs had difficulty when they decided to switch their CRS system. The airline owner of that CRS informed AAA’s travel agency that its corporate clients would have to switch to a travel agency that utilized the CRS that was owned, in part, by that airline. In this case, the airline had clear leverage because they provided large fare discounts to individual corporations who employed travel agencies using its CRS. The same problem exists with the explosive growth of the Internet market. For example, “off-tariff pricing” or Internet-only fares, in essence “tie” a consumer to a site because the fares are only available through a site owned by a supplier. These particular fares are not available to the distributor base at large.

AAA believes that the CRS rules should apply to airline “supplier sites” because they too offer access to multiple suppliers. By operating outside of the CRS rules, Internet sites and the proposed Orbitz site, will be able to limit access by travel agencies to their lowest fares. This creates an uneven playing field in the distribution of product by suppliers who control not only the product but also the site. In addition, this development relies on the presumption that consumers are knowledgeable enough to access this information without a travel agent, and have the time and available technology necessary to pursue these options. It is important to note that this year, 77% of all airline tickets will be issued through a travel agent or travel agency web site.

Many airline web sites offer reservations capability on the host airline, plus their code-sharing partners. In addition, they also offer rental car and hotel booking services, just as their CRS competitors do. While some airlines use a CRS system to host their inventory, many have developed their own reservations system. This is especially true in the case of Orbitz. As a result, the CRS, which serves the large travel agency distribution channel, is no longer able to offer complete fare and schedule information due to the airlines suppliers’ unwillingness to allow “off-tariff” pricing capability through the CRS.

Furthermore, several of the major airlines have made it known that they plan to make less discounted inventory available through the existing CRS structure. In order for consumers to have access to these fares, airlines will require that purchases be made directly through the airlines own web site. On busier flights, airlines have the ability to greatly limit any discount seats at all through this method of channel discrimination.

AAA believes that Internet sites such as the Orbitz model, reduce the number of distribution channels that offer complete and unbiased travel reservations and ticketing information. If this situation is allowed to proceed unchecked, travel agencies and other consumer suppliers will be unable to have access to complete information, resulting in reduced competition and unfair trading practices. Ultimately, consumers may not have access to the most comprehensive travel and ticket price information available.

AAA also agrees with the comments of others that it is appropriate for DOT to review section 255.10 of the regulations to determine whether it continues to serve a competitive purpose. In particular, AAA is concerned that the provision allows airlines significant control over their distributors, including travel agencies. To make the system more equitable, AAA suggests the department consider whether written permission should be required from all sources or that the data be made available to all.

AAA appreciates the opportunity to express our views, on behalf of our 43 million members, concerning issues related to the regulation of CRSs. We look forward to working with the department as this matter receives further consideration.